

Message Text

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ACTION NEA-07

INFO OCT-01 SS-14 ISO-00 NSC-05 NSCE-00 CIAE-00 TRSE-00

INR-05 EB-03 SP-02 /037 W

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R 221445Z OCT 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 8162

C O N F I D E N T I A L CAIRO 14475

LIMDIS

E.O. 11652: GDS

TAGS: EAID EFIN IBRD EG

SUBJ: ASSISTANCE TO EGYPT: GOE ORGANIZATIONAL EFFORTS

REF: CAIRO 14158

1. CAIRO PRESS OF OCTOBER 21 CARRIES STORY ON PREVIOUS DAY'S MEETING OF HIGHER PLANNING COMMITTEE, CHAIRED BY PM SALEM, WHICH EVIDENTLY DEVOTED A PORTION OF ITS TIME TO STUDY ON UTILIZATION OF FOREIGN LOANS. ANY PROBLEMS ENCOUNTERED IN THIS FIELD ARE TO BE BROUGHT TO ATTENTION OF THE COMMITTEE.

2. COMMENT: UTILIZATION HAS BEEN A PROBLEM IN EGYPT FOR SOME TIME, AND HAS BEEN A SOURCE OF FRICTION WITH IBRD AT LEAST (REFTEL). AMBASSADOR RECENTLY RAISED SUBJECT WITH PRESIDENT SADAT. USAID HAS MADE INPUTS AT OTHER LEVELS, AND OTHER FOREIGN GOVERNMENTS AS WELL AS THE BANK HAVE CALLED GOE'S ATTENTION TO SLOW RATE AT WHICH HELP IS BEING UTILIZED.

3. DIFFICULTY IS RESULT OF MANY FACTORS, NOT LEAST OF WHICH IS POOR ORGANIZATION OF GOVERNMENT ITSELF, COMPOUNDED BY POOR COMMUNICATION AMONG MINISTRIES AND RELATIVE INDEPENDENCE OF MINISTERS THEMSELVES. HIGH-LEVEL ATTENTION, CONTINUOUS HIGH-LEVEL ATTENTION, WILL BE REQUIRED TO IMPROVE THE PROCESS.

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4. A RELATED PROBLEM WHICH HAS BEEN INCREASING CONCERN

TO EGYPTIAN PLANNING OFFICIALS (AND OTHERS) IS THAT INEFFECTIVE /COORDINATION MECHANISM HAVE LED THEM TO AGREE TO A NUMBER OF MAJOR, MULTI-YEAR DEVELOPMENT PROJECTS IN WHICH DONORS PROVIDE FOREIGN EXCHANGE BUT GOE PROVIDES LOCAL CURRENCY, WITHOUT CAREFUL ATTENTION TO LONG-TERM IMPACT OF THESE COMMITMENTS ON EGYPT'S OWN LOCAL CURRENCY BUDGET REQUIREMENTS. PROBLEM AMPLIFIED BY LACK OF OVERALL DEVELOPMENT PLAN, FACT THAT MAY ACCORDS WITH DONORS HAVE BEEN SIGNED BY INDIVIDUAL MINISTRIES WITHOUT ADEQUATE COORDINATION WITH OTHERS (PARTICULARLY IN PLANNING AND FINANCE), AND RELIANCE ON ANNUAL BUDGETS, WHICH DO NOT PERMIT ADEQUATE ATTENTION TO LONGER TERM FINANCIAL NEEDS. HIGHER PLANNING COMMITTEE MAY BE ABLE TO GET THIS PROBLEM UNDER CONTROL.

5. WITH RESPECT TO DEBT-MANAGEMENT UNIT THAT BOTH BANK AND FUND HAVE BEEN URGING FOR ALMOST TWO YEARS (REFTEL, MINECON SHAFEI HAS NOW ISSUED A DECREE ESTABLISHING ONE IN OFFICE OF UNDER SEC WAGDI SHINDI. ACCORDING TO IBRD REP IKRAM, THIS WOULD BE GOOD NEWS EXCEPT FOR FACT THAT OFFICIAL APPOINTED TO HEAD THE UNIT IS IN OFFICE OF UNDER SEC GAMAL EL NAZZER. EL NAZZER WILL NOT GIVE UP THE MAN, SHINDI WILL NOT GIVE UP THE UNIT, AND AN IMPASSE HAS DEVELOPED THAT MAY NOT BE RESOLVED UNTIL AFTER THE NEW CABINET IS BROUGHT IN.
MATTHEWS

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ASSISTANCE, ORGANIZATION & MANAGEMENT, DEVELOPMENT PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 22 OCT 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976CAIRO14475
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760398-0517
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761025/aaaaavep.tel
Line Count: 89
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: 76 CAIRO 14158
Review Action: RELEASED, APPROVED
Review Authority: KelleyW0
Review Comment: n/a
Review Content Flags:
Review Date: 08 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 JUN 2004 by CunninFX>; APPROVED <26 OCT 2004 by KelleyW0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ASSISTANCE TO EGYPT: GOE ORGANIZATIONAL EFFORTS
TAGS: EAID, EFIN, EG, IBRD
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006